

Commission on Streamlining Government

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Advisory Group on Outsourcing, Privatization And Risk Management

Minutes Meeting of November 10, 2009

I. CALL TO ORDER

A meeting of the Advisory Group on Outsourcing, Privatization and Risk Management at the State Capitol in Committee Room A-B, Baton Rouge, Louisiana. The Chairman, Roy O. Martin called the meeting to order at 4:15pm.

II. ROLL CALL/ APPROVAL OF MINUTES

The Secretary Gail Brister called the roll and noted the following concerning members present: Mr. Martin asked for the approval of the Minutes of October 23, 2009 and October 29, 2009. Motion made by Mr. Ray Peters and second by Rep. Brett Geymann. No objection and the minutes were approved.

MEMBERS PRESENT:

Roy O. Martin, III - Chairman
Rep. Brett F. Geymann
Raymond Peters

MEMBERS ABSENT:

Bill Fenstermaker
David Perry

STAFF PRESENT

Tom Wade - Coordinator
Gail Brister - Secretary
Frank Pitts - Security

III. WITNESSES PRESENT

Renee' Free, - Louisiana Department of Justice, 1885 N. 3rd Street, Baton Rouge, LA.
Ginger Eppes, - Louisiana Department of Justice, 1885 N. 3rd Street, Baton Rouge, LA.

IV. REPORTS AND PRESENTATIONS:

Renee' Free with the Louisiana Department of Justice testified before the committee on Collections. She stated that she was listening to some of the testimony that Streamlining had in the last few weeks and we felt incumbent to come before this committee to inform you so that you will be allowed to make better recommendations to the Streamlining Committee on the issue of Collections. The Louisiana Department of Justice Collections section has been in operation for about thirty years, it was a very small operation from the beginning. Its focus at that point was mostly to collect the fault of educational debts.

Through the years that has evolved and it has included other state agencies like the Department of Insurance, State Police, Ethics, Fire Marshal Contractors Board, Agriculture, Office of Community Development, Louisiana Workers Compensation, LASERS, the Treasury, Recovery School District, Board of Regents, Secretary of State Elections, Department of Natural Resources among others. We represent currently about forty-two governmental entities and all of their operations are funded by the money that is collected from this section. The average number of employees in this section over the years has been approximately seventeen. Currently they have seventeen and they are servicing twenty-one thousand, six hundred and forty education debts and seventy-two thousand, nine hundred and fifty-three fines and other type debts for the state. The average value of the debts for education are about fifteen hundred, those for state agencies per individual not by fine is about three hundred and sixty-five dollars.

The debts that come to our office basically, I like to say have been beaten to death before they get to this office, they are very old and a lot of them occasionally they are prescribed in it only because the agency didn't realize that. They aren't collections that is not what their primary focus is. Their focus is generally public safety or governmental welfare not collections. Over the years we have been extremely successful and the laws have been enhanced to enable this particular body to be more successful then private entities. It has been our experience with the Office of Student Financial Assistance that they had competing contracts for collection agencies. Our office and two other outside agencies and the statistics show that this department has been more successful then the outside contractors and because of that, they have discontinued the contracts with outside contractors and we are the sole contractor for that office.

On the handout they gave it has the statistics that show over the years and since 1991 this small group of seventeen people on the average has collected over eighty-one million dollars for the state and that is at no cost to the tax payer. It is not a big operation, yeas the percentage is generally low but these are bad, bad debts. Originally, this office from 1990 until 2004 operated on a budget that ended on June 30th and they started from zero on July 1st. No money got left in their account they had to start form zero, the beginning of the year from July 1 until January that is your worst collection months. The collections were low and the higher collections were from January to June and you had to guess so you had to be on top of it. This section was not allowed to be over budget, you had to push your people and make certain that you collected enough money to pay the rent their salaries and everything else.

The wisdom of the prior administration got a bill passed that said we are going to create the collection fund so that anything that they collect goes into this fund. It's primary purpose is to fund the operation but at the close of the fiscal year the money that is not used will be left in there to have

someone to startup for next year. It is not a real lucrative operation in its current status but it doesn't cost anybody anything. If some of the state agencies sought to utilize our operation we will be more than happy to assist them and I think it will be a win, win for the state.

Mr. Roy Martin said that the reason the recommendation came up in the first place is that we had on the books of the state of Louisiana the report that we had was from June of 2008 which is very old report in his opinion. 1.7 billion dollars on the books in accounts receivable and Treasurer Kennedy talked about that in length. After drilling into it we see that much of it is over ninety days old. In his experience if a debt gets over ninety days the odds of collecting it goes down expeditiously. What the commission would like to see the state achieve is faster collection of their account receivables within that ninety days from this point forward. Commissioner Davis and Secretary Bridges put out on November 5th in response to the Streamlining Commission recommendation a plan to centralize debt collect management. I am looking at your collections and 7.4 million dollars in fiscal year '07 and '08 and 6.3 million in fiscal year '08 and '09.

Ms. Free said that is correct.

Mr. Martin said he don't know what percentage that is of the total that was given to you. Do you know what that number is?

Ms. Epps said not by year but we probably could get that total for you.

Mr. Martin said a total of accounts receivables that has been pushed to the Department of Justice, is it one hundred million dollars? Is it fifty million dollars? It's definitely not one billion.

Ms. Free stated No.

Mr. Martin said there is one billion dollars that sits uncollected on the state balance sheet and as you said very correctly a lot of that activity is not on our Secretary's or Commissioners radar and we won't to get it on the radar screen and give have basically a credit manager function that get's a faster collection. The new report says that with the statewide collection business process model that leverages data sources administrative levy authority and better case management skills are strong evidence suggest that significant improvements in results can and would occur.

The net result is an increase in revenue from delinquent non tax debts as well as significant improvement on the return of total investment for the state of Louisiana, while further analysis must be done determine in a time and amount of expected increase revenue the experience in other jurisdiction suggest that a ten to thirty-five percent increase in revenues should be achievable. So if we had thirty-five percent of one billion dollars that is what the commission would like to see. To us who does that collection actually, a group of attorney's would be his first choice but whoever does that and gets hired to do that by this Division of Administration or the Department of Revenue it could be part of the Department of Justice. They may want to do it for up to ninety days and hand it off but some better way of getting these account receivable collected has to be done. He don't want to do it in the past.

Ms. Free said they don't have a problem with the recommendation at all.

Mr. Martin stated okay great

Ms. Free said they can do their best and she think it would be better than what is happening now currently.

Mr. Martin said probably if you would say outsource to the Department of Justice would make more since in his mind if they could do a better job or the same job as a private contractor because the twenty-five percent fee basically stays in the state coffers.

Ms. Free said yes sir and we have other tools at their disposal that private contractors don't have because we are quasi - law enforcement.

Mr. Martin said right. This obviously is a great increase in collections after the law was passed. You are given incentives you are given twenty-five percent of the beaten down accounts receivable. Hopefully they can get you a little more live account receivable faster so that you can do a better job in collection and bring more money into your department. Thank you.

Ms. Free said they would be happy to try.

Mr. Ray Peters stated he was going to ask how does she envision the expansion? How do you think you would take that on?

Ms. Free said they already have a data base that could definitely handle it. It is a customized data base that does account receivable type calculation and work and it is geared toward collector friendly so that the accounts come up and they are tickled to the collectors and they have to touch them at least every thirty days. When ever it's right for lawsuit we have a customized data base that integrates the lawsuits with the appropriate geographic area, it merges every thing so it all totally automated. It would be an easy transition, the accounts have gone up and down over the course of the year. At one point she personally was the attorney on twenty-three thousand five hundred lawsuits. Because of the support staff, the good support staff she could handle that much but she couldn't handle but fifty by herself but the staff is well education in their area and they do a very good job.

Mr. Peters stated that collections are always very difficult.

Mr. Martin asked if there was anymore proposals to be brought up by the members if not he would like to go into some old business, housekeeping they need to take care of.

Tom Wade stated that on the first one under the Martin six these were referred to the commission on October the 20th and when we originally received them they were phrased as the short few. What he tried to do on there is show what he is inserting to clarify exactly what transposed. The language in the first column should read exactly like the recommendation provided first, they are the same thing. I didn't put upon the first one the Department of Health and Hospitals. He is inserting in there to replace the current office of Mental Health and Office of Addictive Disorders and that is also appear up there where if say recommendations.

Mr. Martin asked if these legal size sheets in the package are the official recommendations replacing it.

Mr. Wade said if you choose to amend those first one through six they will look like the legal size.

Mr. Martin said these are some housekeeping items and we have seen these before. I could run over the very, very quickly. The first one is Martin #01 and that is creating the Office of Behavioral Health within the Department of Health and Hospitals to replace the current Office of Mental Health and Office of Addictive Disorders and that is that the two offices of DHH have separate administrative policies of budgets operating independently within DHH the new authority ends the duplication and allows the operation to create a single office that will continue to pursue best practice programs. This is a recommendation from the Secretary and he believes it will save three hundred and fifty thousand dollars within his own department.

Mr. Martin said without objection

Mr. Wade said this will be an amendment.

Mr. Martin stated this is an amendment, without objection motion pass.

Martin #02 is the recommendation from the Department of Transportation and Development, Secretary Akner recommends to element the departments airplane for a savings of six hundred thousand dollars.

Without objection the motion passed.

Martin #03 is the Department of Transportation and Development to element three ferry routes namely Melville, White Castle and Reserve that will save over one million dollars annually these are very seldom used and there is a bridge close by all three of these within twenty miles.

Without objection the motion carries.

Martin #04 is the Department of Public Safety and Corrections. Correction services looked to outsource their pharmaceutical services, the RFP initially shows it will save 1.2 million dollars per year.

Without objection the motion carries.

Martin #05 the Department of Public Safety and Corrections. Correction services outsourcing probation and parole fees into the centralized debt collection management services of Louisiana. They believe it will increase collections about twenty percent, saving over 3.7 million dollars per year.

Without objection the motion pass.

Martin #06 the Governors office of Homeland Security and Emergency Preparedness to outsource their commodity inventory to a third party vendor. That is a savings of two million dollars a year. There is an RFP in action.

Without objection the motion carries

Mr. Martin stated that the next series of recommendations are coming back. Tom Would you like to explain. We looked at these in Lake Charles, Louisiana and they are coming back to us today.

Mr. Wade stated that under Rule 13D, the process is that the Advisory Group refers it back for public comments and at that point we are either to confirm, amend or withdraw what ever we choose to do, once you get public comment on it. At this point the you can either confirm , amend or withdraw we have discussed them before. There are no changes on these so they are exactly the way they was.

Mr. Martin asked it was appropriate to recommend individually are as a group.

Mr. Wade stated that as long as everybody understand what's in each one of them then they can vote on as global.

Rep. Geymann voted to vote on Global.

Mr. Peters Second

Mr. Martin said that the motion has been made and second that AGOPRM 21 through AGOPRM 35 be adopted as written individually in one motion. Without objection the motion carries. Any more comments at this time? Do we have any public comments?

Mr. Peters stated that he has one recommendation. looking back during some research since the last meeting talking about the Office of Group Benefits. He would like to propose in order for the state to maximize its leverage in the leverage of employees and administrative efficiency that we recommend that we outsource all of the benefit program or medical benefit program to a single medical insurer so that we can effectively leverage the critical mass. Today we have three separate plans administered through the state, I understand there are two additional RFP's out one for a medical home and the other one is for a high option medical plan there really no reason why all of those should not be coordinated through one administrator but third party administrator and he would suggest that we at least develop an RFP so that we can look at those benefits in global.

Rep. Geymann asked if we are going to be hearing from the office of Group Benefits he has questions about frozen costs.

Mr. Martin stated the he believe that would be proper, he thinks what we need to do, Mr. Peters is to write up that recommendation in his form and transmit that to Mr. Wade and Mr. Wade will get that to the office of Group Benefits and Commissioner Davis for their comments that we can take up at our next advisory group meeting.

Mr. Peters stated he will do.

Rep. Geymann asked that once they come before us we can ask them questions? Will we be voting on that day or will we be voting the week following that?

Mr. Martin said possibly we could be voting that day from the advisory group and then it would go to the commission as a whole. If that is the pleasure of the commission. Thank you Mr. Peters that is a very good recommendation.

Mr. Wade said just for the record that will be number 36.

Rep. Geymann stated that his office has been receiving quite a few E-mails on this. That is one of the reasons he contacted him last week that's why he wanted someone to come in here with the office of Group Benefits to talk about the Pros and Cons so we can better answer the questions.

Mr. Martin asked if there was someone from the private side that needs to speak to the advisory group? He would entertain that at the next meeting.

Rep. Geymann said he wanted someone from the commission to come in.

Mr. Martin said he have anyone that would like to speak at our next meeting that would be immediately following the Streamlining Committee on the 17th .

Mr. Peters said he thinks the chairman's point is that it may be interesting to have someone from the private sector argue that as well.

Mr. Martin asked if there was any further business.

Mr. Peters made a motion to adjourn.

V. PUBLIC COMMENTS

NONE

VI. ADJOURNMENT

Mr. Martin, the Chairman, said that since there was no further business to come before the committee, the meeting was adjourned. The meeting was adjourned at 4:40pm.

November 10, 2009

Roy O. Martin, Chairman

Date Approved